2012 Annual Report

Property Assessment Appeal Board

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Board Profile

The Property Assessment Appeal Board is a quasi-judicial administrative tribunal established under the *Assessment Act*. It is the second level of appeal following the Property Assessment Review Panels.

The most common issues in assessment appeals are:

- What is the market value of the property?
- Is the assessment equitable (or fair)?
- Is the property correctly classified?
- Does the property qualify for a tax exemption?

An effective and independent appeal system is critical to maintain taxpayer's confidence in the accuracy and integrity of the assessment roll.

The Board's objectives are:

- To resolve appeals justly and consistently, in accordance with the principles of natural justice and procedural fairness.

- To complete appeals as quickly and efficiently as possible, within budget and at minimum cost to participants and the Board.

The Board is independent from the Property Assessment Review Panels and BC Assessment, and is accountable to the Minister of Community, Sport and Cultural Development. The Board has a full-time Chair, two full-time Vice Chairs and 18 part-time members, a Registrar and five support staff. The names and term expiry dates of the Board Members serving in the past year are in Appendix 1.

A glossary of terms used in this report is in Appendix 2.

Report on Performance

Targets

The Board's targets for 2012 were:

1. To register and acknowledge the 2012 appeals by May 31, 2012.
2. To issue at least 90% of written decisions within 90 days from the hearing.
3. To complete or schedule for hearing by March 31, 2012, 75 to 85% of the active 2011 commercial and industrial appeals.
4. To complete or hear by December 31, 2012, 90 to 100% of the 2012 residential, farm and recreation property appeals.

Results

Target	Result by Dec. 31, 2012
1. registration of 2012 appeals	completed on May 30, 2012
2. timeliness of written decisions	97% completed within 90 days
3. 2011 commercial & industrial property appeals	77% completed or scheduled for hearing by Mar. 31, 2012
4. 2012 residential, farm & recreational property appeals	91% completed or heard by Dec. 31, 2012

The following table illustrates the Board's activities compared to the two previous years:

Activity	2012	2011	2010
New appeals received in year	2,018	2,052	2,166
Carry over from earlier years	891	865	439
Total appeal workload	2,909	2,917	2,605
Appeals completed during the year	1,744	2,026	1,740
# and % of appeals resolved without a hearing	1,606 (92%)	1,813 (89%)	1,585 (90%)

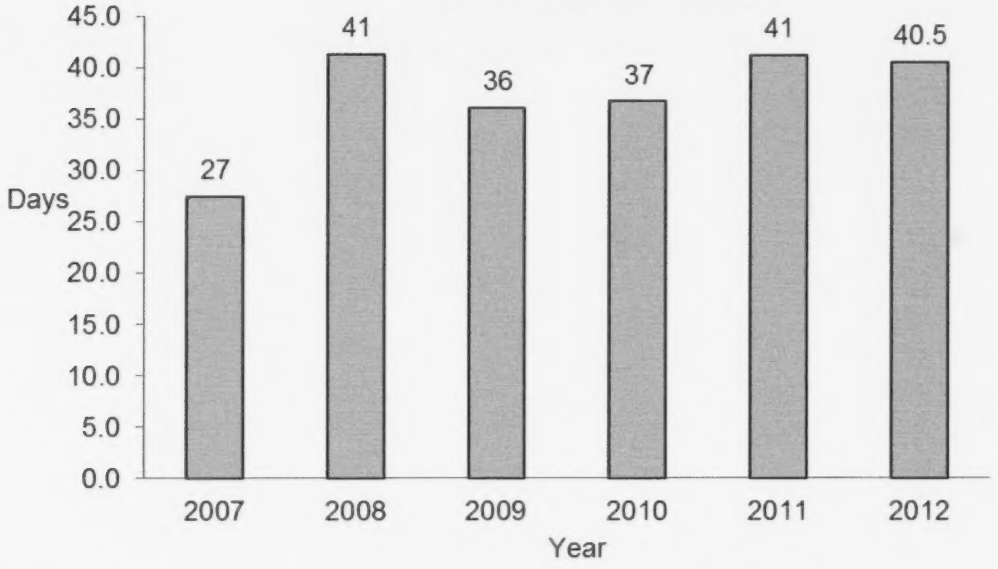
The Board increased the resolution rate via alternative dispute resolution practices. When appeals settle, they are either withdrawn, and there is no change to the assessment, or the parties reach an agreement to change the assessment. If an appeal is not settled, the Board will make a decision following either an oral hearing or written

submissions from the parties. Appendix 4 provides statistics on how the Board completed appeals in 2012.

Approximately 50% of the Board's decisions in 2012, whether by agreement or adjudication, resulted in a change to the assessment.

In 2012, the average time to complete a written decision following a hearing was just over 40 days, well within the Board's service objectives of 60 days for residential appeals and 90 days for commercial and industrial appeals. The length of time to complete a decision varies depending on the complexity of appeals and workload of the Board members.

Figure 1 - Average Number of Days from Hearing to Decision

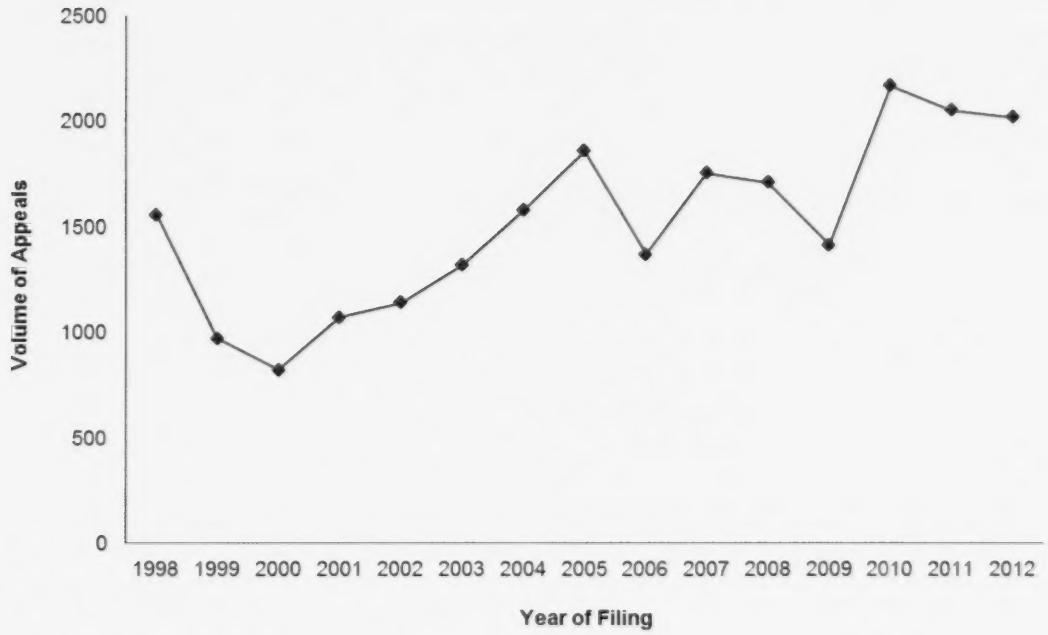


Analysis of Outstanding Appeals

Volume of New Appeals

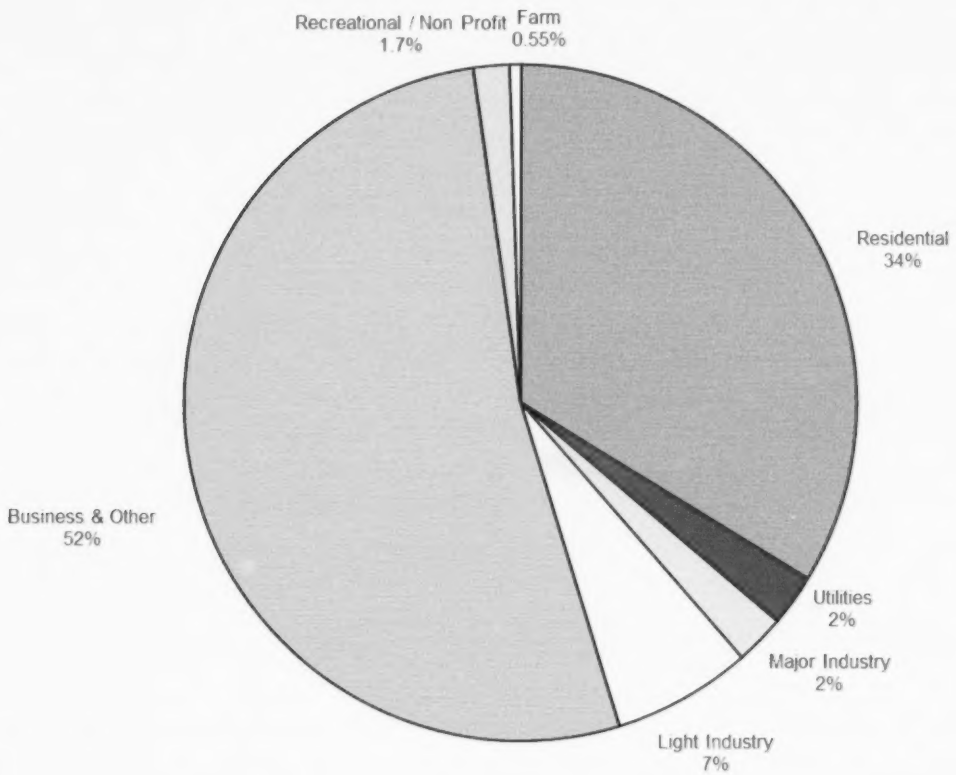
The Board received 2,018 new appeals in April 2012, a 2% decrease from the previous year. This volume is still high compared to the annual average of 1,519 over the last 15 years.

Figure 2 - Change in Volume of Property Assessment Appeals



As is typical, the majority of appeals were from commercial, industrial, and residential assessments. The commercial and industrial appeals are typically more complex and take longer to resolve.

Figure 3 - Portion of Appealed Properties by Classification

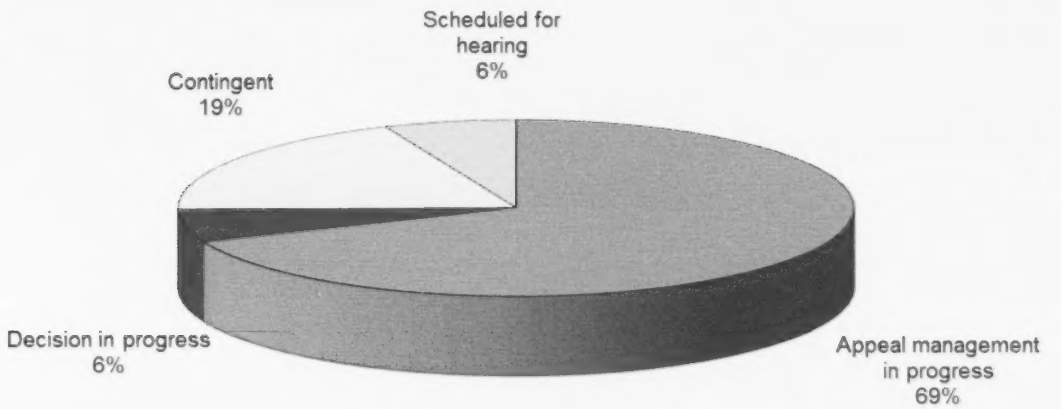


Year-end Position

As of December 31, 2012, there were 1,165 outstanding appeals. This is higher than recent year-ends, primarily due to the high volume of new appeals three years in a row.

Following is a breakdown of the status of the outstanding appeals at December 31, 2012:

Figure 4 - Status of Outstanding Appeals



For the majority of outstanding appeals (in Appeal management in progress), the Board is working with the parties to resolve as many of the issues as possible through mutual agreement. If further discussion will not likely result in resolution, the Board will schedule a written submission or in-person hearing.

Contingent appeals have very similar issues to other appeals before the Board or the Courts. The Board cannot move forward on these contingent appeals until the related appeals conclude.

The proportion of contingent appeals increases with older appeals. At year-end, 10% of the 2012 property assessment appeals were contingent, whereas 42% of the outstanding 2011 and older appeals were in this category. The majority of the older appeals are pending resolution of a single issue: whether taxing jurisdiction rests with a First Nation, or a municipal or provincial authority. Once this issue is determined, either by the Courts or by negotiation, these appeals will almost immediately be resolved.

The majority of outstanding appeals (55%) are in Greater Vancouver, given the population and business distribution throughout the Province.

Figure 5 - Regional Distribution of Appeals

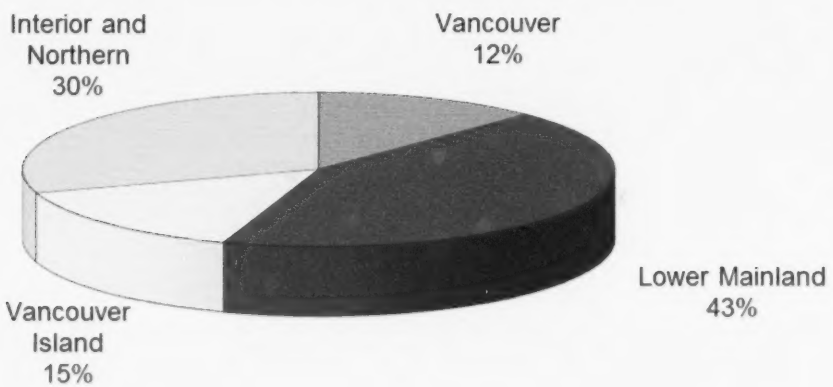


Figure 6 illustrates the portion of appeals completed by appeal year.

Figure 6 - Completed appeals by the year of original filing

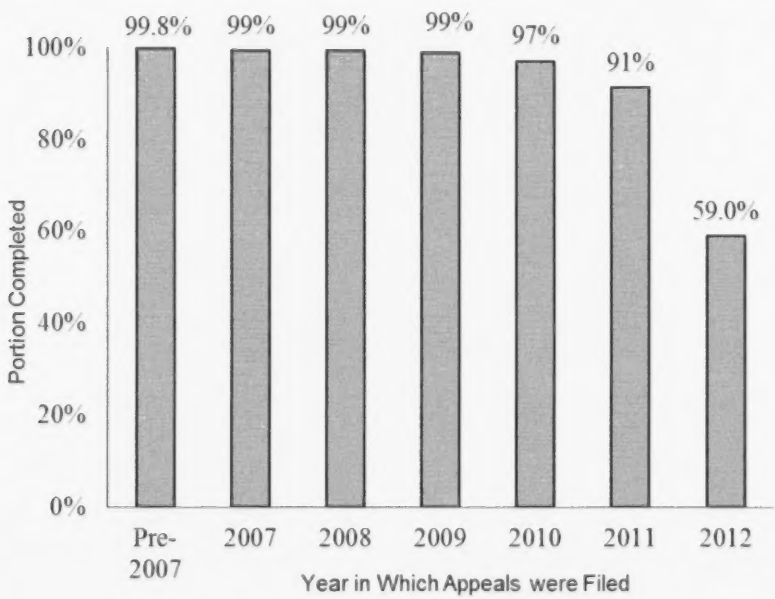
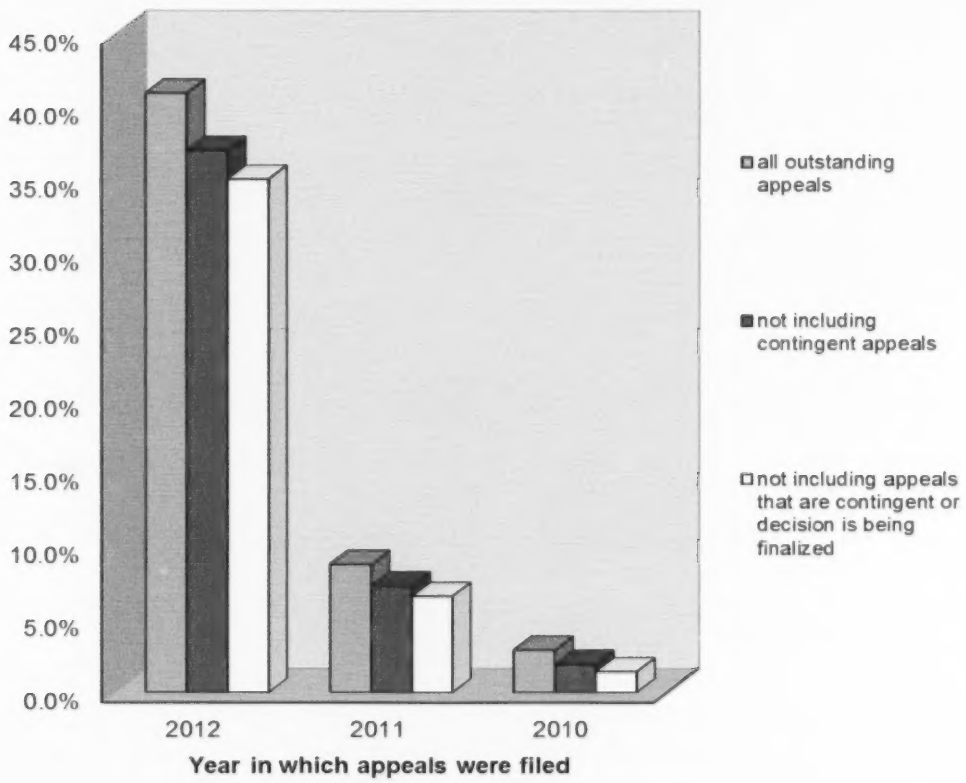


Figure 7 illustrates outstanding appeals as a percentage of the total originally filed. For a more accurate picture of the unresolved appeals at year-end, the portion outstanding is adjusted for:

- Appeals that are contingent; and
- Appeals that are effectively complete (i.e. have been heard or resolved but the Board's final orders have not been published).

After these adjustments, the effective portions of outstanding 2012, 2011 and 2010 appeals as of December 31, 2012 were 35%, 6.6% and 1.4%, respectively.

Figure 7 - Portion of Appeals Outstanding



More detailed statistics are provided in Appendices 3 to 6.

Appeals to the Courts

A person affected by a decision of the Board may appeal to the B.C. Supreme Court on a question of law using a process called a stated case. The request to state a case must be made within 21 days of receiving the Board's decision. The decision of the Supreme Court may be appealed to the B.C. Court of Appeal with leave.

At the beginning of 2012, four stated cases from previous years were outstanding before the B.C. Supreme Court. During the year, 11 new stated cases were filed. The Court confirmed the Board's decision in five appeals and referred one case back to the Board. Two cases were abandoned. At year-end, seven stated cases were still before the B.C. Supreme Court.

At the beginning of 2012, there was one case before the Court of Appeal dealing with the exemption status of land held in trust for a First Nation. This case was referred back to the Board. One other case was granted leave to appeal to the Court of Appeal in 2012. This case raises the issue of how to determine actual value of a co-operative housing complex and was still before the Court at year end.

There were no applications in 2012 for leave to appeal to the Supreme Court of Canada.

Responses to Challenges in 2012

The Board used the following strategies to resolve appeals:

1. Teleconferences for all residential appeals to assist the property owners and BC Assessment to identify issues, assess the merits of their positions, and encourage settlement.

2. Adjudication by written submission hearings for residential appeals that did not settle (unless circumstances required an oral hearing). This method is less costly than in-person hearings, as participants do not have to travel to a hearing or take time off work to attend, and generally allows appeals to be completed sooner.

3. In-person and telephone appeal management conferences with tax agents and BC Assessment to attempt to resolve groups of commercial and industrial appeals. This approach is more efficient and effective than dealing with appeals on an individual basis.

4. Exchange of Statements of Issues, Evidence, and Analysis for more complex commercial and industrial appeals. This tool accelerates disclosure of detailed appeal issues and supporting evidence, and can assist with the earlier resolution of appeals.

5. Require early disclosure by the parties of relevant assessment and property information, prior to initiating appeal management discussions, to eliminate delay and allow the Board to focus resources on substantive rather than procedural disputes.

6. Selective use of a "self management" approach. Tax agents and BC Assessment hold resolution discussions on their own with progress reports back to the Board. If it becomes evident resolution is not likely, or the progress is not timely enough, the Board assumes more hands-on appeal management.

7. Settlement Conferences to narrow the issues and settle appeals without the need for hearings.

8. Conversion of Settlement Conferences to a hearing resulting in an adjudicated decision with the parties consent. This "med/arb" process prevents duplication of work and can allow for expeditious resolution of an appeal.

The Board, in cooperation with the assessment community, has successfully used these strategies to achieve a high resolution rate by mutual agreement and to reduce costs to all parties, including the Board.

Other Activities

Consultation with the Assessment Community

In June 212, the Board held a forum with tax agents, legal counsel and BC Assessment to obtain feedback on the appeal management strategy for 2012 commercial and industrial appeals. The Board also collaborated with the Canadian Property Tax Association in an education session focussing on how parties can improve written presentations.

Transformation & Technology

One of the most promising technologies that came out of a 2011 Transformation & Technology report was upfront self-screening web tools. In late 2012, the Board started designing an interactive website that will allow the public to decide: "should I appeal my assessment?". The Justice Education Society (with some funding from the Ministry of Justice) will add a video-based avatar to increase its interactivity. This screening tool will be the first of its kind in the Province's administrative justice sector.

On-line Dispute Resolution pilot

The Board completed two pilot projects to test the benefits of on-line dispute resolution (ODR) software. We used the resolution software for commercial and residential appeals. Users from the commercial pilot felt that the software did not offer significant efficiency benefits. The majority of residential homeowners liked ODR, especially the ease of web-access and the ability to participate at anytime, day or night, seven days a week. The Board will expand the use of ODR in 2013, offering it as an option for all residential appeals.

Board Finances

The Board's budget for April 1, 2012 to March 31, 2013 is $1.4 million, fully funded from the property tax levy, appeal fees and charges to the Ministry of Energy, Mines and Natural Gas (for services provided to the Surface Rights Board)

The budget and estimated expenditures for 2012/2013, compared with the past five fiscal years, are as follows:

Figure 8 – Budget versus Actual Expenditures by Fiscal Year ($000's)

Fiscal Year	Budget[1]	Actual	Under/(Over)	%
2012/13[2]	$1,404	$1,218	$186	13%
2011/12	$1,287	$1,291	($4)	(0.3%)
2010/11	$1,277	$1,143	$134	10%
2009/10	$1,486	$1,247	$239	16%
2008/09	$1,578	$1,504	$74	5%
2007/08	$1,448	$1,394	$54	4%

Notes:
1. The above budget figures are inclusive of revenue from appeal fees.
2. Expenditures for fiscal year 2012/13 are forecasted based on actual expenditures to Dec. 31, 2012.

The Board forecasts it be under budget for fiscal 2012/13 by 13%. The Board collected $98,000 in appeal fees and forecasts billing the Ministry of Energy, Mines and Natural Gas $65,000 for services to the Surface Rights Board. These revenues reduce the overall funding requirement from the property tax levy.

Salaries and benefits expenditures were higher this year due to filling a Vice Chair vacancy. Board member expenditures are forecasted to decrease this year, due to fewer hearings. Part-time Board members are primarily used when appeals are not settled and require adjudication. A further breakdown of expenditures is provided in Appendix 7.

Looking Forward

Challenges for 2013

The Board will concentrate on resolving the remaining 2012 and earlier commercial and industrial appeals. It will attempt to resolve these appeals through mutual agreement; however, if they are not resolved in the first quarter of 2013, most will be scheduled for adjudication.

The Board will also monitor the contingent appeals. Once related Court and Board decisions are rendered, the Board will work with the parties to complete these appeals.

In May 2013, the Board will start resolving the newly filed 2013 appeals using traditional dispute resolutions tools as well as new technologies including on-line dispute resolution.

Targets for 2013

The Board has set the following 2013 targets:

1. To complete registration and acknowledgement of the 2013 appeals by May 31, 2013.

2. To issue at least 90% of written decisions within 90 days from the hearing.

3. To complete or schedule for hearing by March 31, 2013, 75 to 85% of the active 2012 commercial and industrial appeals.

4. To complete or hear by December 31, 2013, 90 to 100% of the 2013 residential, farm and recreation property appeals.

5. To complete or schedule for hearing by March 31, 2014, 75 to 85% of the active 2013 commercial and industrial appeals.

These completion targets will be reviewed once the volume of appeals is known – following the April 30th appeal deadline. The Chair of the Board will discuss any proposed revisions with the Minister of Community, Sport and Cultural Development. Despite any performance target, the Board must ensure that appeals are resolved in accordance with the principles of procedural fairness. Whenever there is a conflict between a performance target and these principles, procedural fairness must prevail.

Appendix 1

Board Members

Name	Position	Term Expiry Date
Rosemary Barnes	Member	December 31, 2012
Allan Beatty	Member	January 31, 2014
Patricia Begg	Member	December 31, 2013
John Bridal	Member	December 31, 2013
Valli Chettiar	Vice Chair	August 31, 2015
John Collins	Member	December 31, 2012
Larry Dybvig	Member	December 31, 2015
Dianne Flood	Member	December 31, 2015
Jeffrey Hand	Member	January 31, 2014
Christopher Hope	Member	December 31, 2013
Bob Kasting	Member	December 31, 2013
David Lee	Member	December 31, 2015
Bruce Maitland	Member	December 31, 2013
Brian McConnell	Member	December 31, 2013
Garry Morgan	Member	December 31, 2014
Harvey Pearson	Member	December 31, 2014
Dale Pope	Member	December 31, 2015
Don Risk	Member	December 31, 2013
Simmi Sandhu	Vice Chair	December 31, 2013
Brian Sharp	Member	December 31, 2015
Audrey Suttorp	Member	December 31, 2013
Kenneth Thornicroft	Member	December 31, 2013
Shiela Lange	Member	December 31, 2012
Cheryl Vickers	Chair	December 31, 2013

Appendix 2

Glossary of Terms

Appeal Management Conference (AMC)
The main purpose of an AMC is to clarify the issues, facilitate resolution if possible, and set steps to resolve the appeal. Most AMCs are conducted by telephone. If resolution does not appear likely, the appeal may be scheduled for a settlement conference or a written submission or in-person hearing. Some complex appeals may have several AMCs before they are resolved.

Contingent
Contingent appeals are held pending action on other appeals before the Courts or the Board. This occurs when the appeal issues are very similar and it is appropriate to hold the appeal until the Court or Board makes a decision on the other appeal.

Decision in Progress
This term is used in the statistical appendices. It includes appeals that have had a hearing and the Board is in the process of preparing a written decision. It also includes appeals in which the Board is preparing an order on a dismissal, withdrawal or recommendation to change the assessment.

Dismissal Order
The Board may issue an order dismissing an appeal in two circumstances:
1. The Board does not have jurisdiction to deal with an appeal; or
2. A party (specifically the Appellant) does not comply with a Board order during the appeal.

When appeals are received, the Registrar will write to the parties with his opinion on whether the Board has jurisdiction based on the criteria in the *Assessment Act*. A party can ask the Board to reconsider this opinion.

Recommendation
When the parties mutually agree to change the assessment, they submit a joint "Recommendation" to the Board. If the Board is satisfied that the recommended changes ensure the accuracy and consistency of assessments, it will issue an order authorizing BC Assessment to implement the changes.

Roll Number
The roll number is a distinctive number assigned to each entry on the assessment roll. Generally, every property has a roll number and receives an individual assessment.

Settlement Conference
The purpose of a Settlement Conference is to reach mutual agreement on the appeal issues. A Board member facilitates this Conference and discussions are without prejudice to the position that may be taken if the appeal proceeds to a hearing. Discussions at Settlement Conferences are confidential and any documents submitted do not become part of the public record.

Withdrawal
An Appellant may apply to the Board to discontinue their appeal at any time before a hearing. If approved, the Board will issue an order closing the appeal.

Appendix 3
2012 Property Assessment Appeal Completion Results Compared to 2011

Period	Appeals at Beginning of Period	Appeals at December 31	Appeals Completed Within Period	% Completed in Period
2012				
New Appeals	2,018	827	1,191	59%
Prior Year Appeals	891	338	553	62%
Year 2012 Total	**2,909**	**1,165**	**1,744**	**60%**
2011				
New Appeals	2,052	618	1,434	70%
Prior Year Appeals	865	273	592	68%
Year 2011 Total	**2,917**	**891**	**2,026**	**69%**

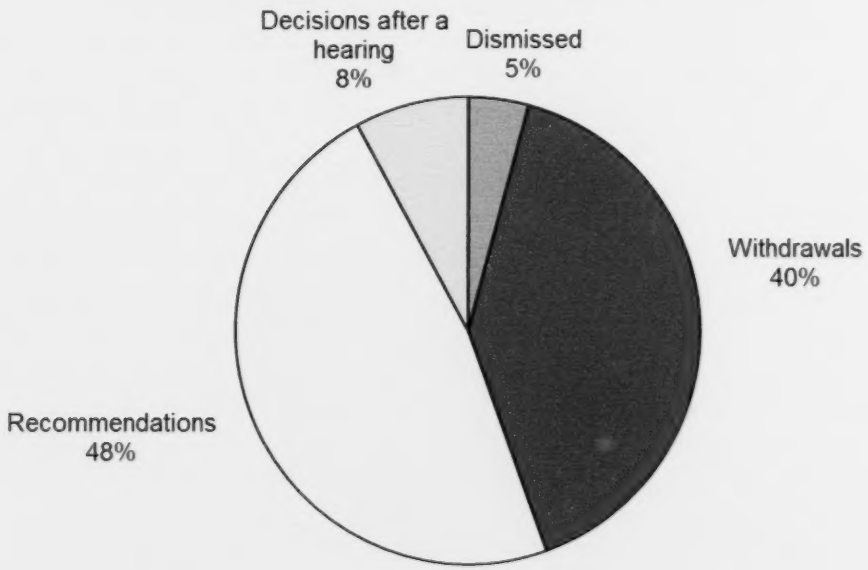
Appendix 4
Property Assessment Appeals Completion Results by Appeal Year

Year filed	Appeals at Beginning of Year	Method of Completion				Total Completed	Appeals Outstanding at Dec 31/12
		Dismissed	Withdrawals	Recom-mendations	Decisions after a hearing[1]		
2012 [2]	2,018	69	486	549	87	1,191	827
2011	618	4	179	214	41	438	180
2010	154	0	24	58	9	91	63
2009	23	0	3	4	1	8	15
2008	12	0	1	0	0	1	11
2007	12	0	2	0	0	2	10
Pre-2007	72	0	8	5	0	13	59
TOTAL	**2,909**	**73**	**703**	**830**	**138**	**1,744**	**1,165**

Notes:

1. Decisions can be made through an in-person hearing or by way of written submissions from the parties.
2. With an appeal deadline of April 30th each year, the time period for completing 2012 appeals is from May 1 to December 31.

Method of Completion of Appeals in 2012



Appendix 5
Summary of Outstanding Property Assessment Appeals

APPEAL STATUS	OUTSTANDING APPEALS						
	TOTAL	2012 APPEALS[1]			PRIOR YEARS[2]		
	Dec 31/12	Dec 31/12	April 30/12	Inc./(Decr.)	Dec 31/12	Dec 31/11	Inc./(Decr.)
Appeal Management in Progress	801	666	2,018	(67%)	135	516	(74%)
Scheduled For Hearing	74	42	0	N/A	32	70	(54%)
Pending Board or Court Decision	220	79	0	N/A	141	216	(35%)
Decision in Progress	70	40	0	N/A	30	89	(66%)
Total Outstanding Appeals	1,165	827	2,018	(59%)	338	891	(62%)

Notes:

1. April 30, 2012 was the filing deadline for the 2012 appeals.
2. Includes all outstanding appeals to the Board from the 2011 and earlier rolls.

Appendix 6
Board Activities in 2012 Compared to Prior Years

Board Activity	Results in year:				
	2012	2011	2010	2009	2008
Overall Appeal Caseload					
New Appeals Registered	2,018	2,052	2,166	1,412	1,707
Prior Year Appeals (beginning of year)	891	865	439	781	619
Total Appeals	2,909	2,917	2,605	2,193	2,326
Appeal Management Conferences (AMCs)					
# of AMCs Conducted	584	769	775	625	767
# of Appeals Involved	1,523	1,568	2,109	2,626	2,246
Settlement Conferences Held	19	40	18	44	23
Hearing Statistics					
# of In-Person Hearings	11	18	12	19	22
# of Hearing Days	26	49	25	40	48
# heard by Written Submissions	112	163	144	105	134
Appeal Completion Method					
By withdrawals/dismissal orders	776	939	862	787	730
By recommendations	830	874	678	793	626
By decisions after a hearing	138	213	200	169	189
Appeals					
Number Completed	1,744	2,026	1,740	1,749	1,565

Appendix 7

Breakdown of Expenditures ($000's)

Fiscal Year	Salaries & Benefits	Members Fees & Exp.	Travel Expenses	Occupancy Expenses	Systems & Telecommun.	Office & Misc. Exp.	Total Expenses	Less SRB & GVTA[2]	Net Expenses
2012/13[1]	822	155	10	108	88	35	1,218	65	1,153
2011/12	774	238	7	108	114	50	1,291	44	1,247
2010/11	769	151	16	113	132	44	1,225	82	1,143
2009/10	772	140	34	110	158	33	1,247	61	1,186
2008/09	836	256	39	92	216	65	1,504	93	1,411
2007/08	827	209	35	81	177	65	1,394	125	1,269
2006/07	832	188	16	83	231	61	1,410	76	1,335

Notes:

1. Expenditures for fiscal year 2012/13 are forecasted based on actual expenditures to December 31, 2012.
2. The costs recovered for services to the Surface Rights Board (SRB) for years 2007/08 to 2012/13 and the Greater Vancouver Transportation Authority (GVTA) for years 2005/06 to 2007/08 are deducted to arrive at the net expenses for the Property Assessment Appeal Board.